

SUBJECT: Regulating insurance holding companies

COMMITTEE: Insurance — committee substitute recommended

VOTE: 6 ayes — Smithee, Duncan, Driver, Dutton, G. Lewis, Shields

0 nays

3 absent — Averitt, Counts, De La Garza

WITNESSES: For — Ross Davidson and Will D. Davis, United Services Automobile Association

Against — None

On — A. W. "Woody" Pogue, Texas Department of Insurance

DIGEST: CSHB 2793 would change the definition of extraordinary dividend or distribution from net investment income to net income. The definition would only apply to an extraordinary dividend or distribution from an insurance holding company to its shareholders if the insurer under the holding company is not a life or title insurer.

The bill would allow an insurance holding company to invest in common stock, preferred stock, debt obligations, and other securities of its subsidiaries and affiliates if the combined investments did not exceed the lesser of 10 percent, instead of the current limit of five percent, of the insurer's total assets or 50 percent of the insurer's surplus. Investments in domestic or foreign insurance subsidiaries would not be counted towards calculating the above investment limits.

Investments in the preceding paragraph would have to be deemed qualified investments before they are actually made, instead of after they are made as stipulated in current law, and would have to meet certain factors.

Valuation of an investment would be made for financial statement valuation purposes only and not to determine the amount of qualified investments.

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The bill would take effect September 1, 1995.

SUPPORTERS
SAY:

Changing the definition of extraordinary dividend to net income, which is bottom line income, would bring the state in compliance with the National Association of Insurance Commissioners. The bill would make technical changes to allow the insurance department to better regulate insurance holding companies.

OPPONENTS
SAY:

No apparent opposition.

NOTES:

The original bill included a definition of extraordinary dividend or distribution.